

## SUBCOMMITTEE NO. 2

## Agenda

S. Joseph Simitian, Chair  
Alan Lowenthal  
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Thursday, April 2, 2009  
9:30 a.m.  
Room 2040

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### Resources—Environmental Protection—Energy—Transportation

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## Bond Funds

- LAO – Jason Dickerson
- DOF – Brian Dewey

**Resources Bond Funds Background.** Since 1996, \$22 billion in resources-related bonds have been approved. Between 1996 and 2006, voters have approved seven resources bonds totaling \$20.6 billion (Propositions 204, 12, 13, 40, 50, 84, and 1E), as well as \$1.2 billion for air quality purposes in the Proposition 1B transportation bond and \$200 million for local parks in the Proposition 1C housing bond. Of these bonds, \$4.3 billion remains available for future appropriations after 2009-10.

**2009-10 Budget Act.** The *2009-10 Budget Act* includes \$1.8 billion in bond fund appropriations for the resources area (Natural Resources: \$1.54 billion; CalEPA: \$264 million). The majority of resources bonds are for the Department of Water Resources, which received \$764 million, primarily for various flood control projects. The Department of Parks and Recreation received \$379 million, primarily for local assistance.

## Federal Stimulus Funds

**American Recovery and Reinvestment Act.** On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA) of 2009, H.R. 1. The spending and tax-cut plan is intended to help stabilize state budgets and spur economic growth. The ARRA commits a total of \$787 billion nationwide. The funding provides: (1) \$330 billion in aid to the states, (2) about \$170 billion for various federal projects and assistance for other non-state programs, and (3) \$287 billion for tax relief.

**Funds for California.** Of the \$330 billion available under ARRA nationwide for state aid, the LAO estimates that California will receive approximately \$31 billion in additional federal funds during the current and the next two federal fiscal years (FFY). California's health programs will receive the largest share of these federal funds, about \$9 billion, and education-related programs will receive nearly \$8 billion in additional federal funds. These programs are followed by labor and workforce development and social services programs, which will receive about \$6 billion and \$3.5 billion, respectively.

**Funds for California Natural Resources.** The ARRA includes several resources and environmental protection-related provisions that will have a fiscal impact on California. All of

these additional federal funds supplement spending on resources and environmental protection-related programs and do not benefit the state's General Fund.

- **Water** – The ARRA includes about \$283 million provided directly to the state in grant and loan funding for wastewater infrastructure, through the existing Clean Water State Revolving Fund. The funds will all be made available in Federal Fiscal Year (FFY) 2008-09. The State Water Resources Control Board administers the program on behalf of the state in cooperation with the U.S. Environmental Protection Agency (U.S. EPA).
- **Energy** – The ARRA includes \$3.1 billion for State Energy Programs under the existing Energy Policy and Conservation Act, of which \$239 million will come to California. The ARRA directs states to focus on funding energy efficiency programs (such as energy efficient retrofits of buildings and industrial facilities) and renewable energy programs, and in particular to expand those programs already approved by the state. States are also directed to prioritize joint projects between states. All funds must be obligated by September 30, 2010.
- **Energy Efficiency** – The ARRA includes \$2.8 billion for Energy Efficiency and Conservation Block Grants (EECBG), of which \$784 million is to be allocated nationwide directly to the states. (The majority of the remainder will be allocated to local jurisdictions, with a small amount for tribes and other entities.) Of the allocation to the states, California will receive a total of \$56 million, with \$22 million available for state use and \$34 million to be passed through to small cities. An additional \$400 million is available nationally in the form of competitive grants, although there is currently no information available on how these grants are to be awarded.
- **Underground Storage Tank Funds** – The ARRA appropriates \$200 million nationally to the U.S. EPA for the Leaking Underground Storage Tank Fund Program. The state is expected to receive between \$15 million and \$17 million in the first year of funding and may be eligible to receive an additional \$5 million in the second year should other states be unable to fully utilize their grants. These funds must be applied for and are distributed in a competitive grant process.
- **Diesel Emission Reduction** – The ARRA appropriates \$300 million to the U.S. EPA for grants and loans awarded nationally for on- and off-road diesel emission reduction projects, including for diesel engine retrofit and replacement. Of this total, \$90 million is allocated directly to states (and California could receive at least \$1.8 million). The remaining balance -- \$210 million -- is to be awarded directly by the U.S. EPA as competitive grants. As the U.S. EPA's grant guidelines have yet to be developed, it is not known what amount of grant funds that the state could potentially access directly.
- **Wildland Fire Management** – The ARRA appropriates \$250 million to the U.S. Forest Service for state and private forestry activities, including hazardous fuels reduction, forest health, and ecosystem improvement activities on state and private lands. While the U.S. Forest Service has yet to determine how this funding will be delivered to the state, it is likely that a significant portion of the funding coming to the state would be administered by the California Department of Forestry and Fire Protection. The department has already submitted a \$176 million list of potential projects to the U.S. Forest Service.
- **Brownfields** – The ARRA appropriates \$100 million nationally for projects to be awarded by competitive grants under the Comprehensive Environmental Response,

Compensation, and Liability Act. There is no cost-share requirement in order to receive the money. While there is no allocation specific to California, projects in California may be eligible for grant funds. The Department of Toxic Substances Control (DTSC) would be the state's applicant agency.

- **U.S. Department of Defense Environmental Cleanup** – The ARRA appropriates \$5.1 billion to the Department of Defense for environmental cleanup activities. There are several former military installations in California that could be eligible for these funds. The DTSC administers the cleanup of some of these sites with federal reimbursement through the state budget.
- **Wireless and Broadband Access** – The ARRA appropriates \$4.4 billion to the National Telecommunications and Information Administration (under the Department of Commerce) for competitive grants awarded nationally to increase the deployment of broadband services in “unserved and underserved areas.” While there is a 20 percent state matching requirement (which can be waived), the ARRA gives priority to states with a source of matching funds. California has recently enacted legislation that could provide a source for these matching funds—Chapter 393, Statutes of 2008 (SB 1193, Padilla). Chapter 393 created the ratepayer-supported California Advanced Services Fund under the California Public Utilities Commission (CPUC) to help promote the deployment of broadband infrastructure in unserved and underserved areas.

## 3340 California Conservation Corps

**Background.** The California Conservation Corps (CCC) assists federal, state, and local agencies, and nonprofit entities in conserving and improving California's natural resources while providing employment, training, and educational opportunities for young men and women. The Corps provides on-the-job training and educational opportunities to California residents aged 18 through 23, with projects related to environmental conservation, fire protection, and emergency services. Some activities traditionally associated with the Corps are tree planting, stream clearance, and trail building. The Corps also develops and provides funding for 12 community conservation corps.

**Budget Act.** The 2009-10 Budget Act includes \$90.9 million for the California Conservation Corps for 2009-10. This is about a 16 percent decrease over the current year level of support primarily due to a decrease in local assistance grants from bond funds.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2008-09</b>	<b>2009-10</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Training and Work Program	\$ 92,200	\$ 64,238	-\$27,962	-30.3
Capital Outlay	16,413	26,673	10,260	62.5
Administration	7,712	7,902	190	2.5
<i>less distributed administration</i>	-\$7,712	-\$7,902	-190	2.5
<b>Total</b>	<b>\$ 108,613</b>	<b>\$ 90,911</b>	<b>-\$17,702</b>	<b>-16.3</b>
<b>Funding Source</b>				
General Fund	\$ 37,383	\$ 34,184	-\$3,199	-8.6
Collins-Dugan California Conservation Corps				
Reimbursement Account	31,412	25,585	-5,827	-18.6
Other Special Funds	620	-	-620	-100.0
Bond Funds	39,198	31,142	-8,056	-20.6
<b>Total</b>	<b>\$ 108,613</b>	<b>\$ 90,911</b>	<b>-\$17,702</b>	<b>-16.3</b>

## 1. Proposed Elimination of the CCC

**CCC Mission.** The California Conservation Corps (CCC) provides young people between the ages of 18 and 23 work experience and educational opportunities. The program participants, referred to as corpsmembers, work on projects that conserve and improve the environment, such as tree planting, trail building, and brush clearance. Corpsmembers also provide assistance during natural disasters, such as filling sandbags during floods. Work projects are sponsored by various governmental and nongovernmental agencies that reimburse the CCC for the work performed by corpsmembers.

The CCC estimates about 4,000 men and women (the equivalent of about 1,200 full-time positions) will participate in the program during the current year. Corpsmembers earn minimum wage and are assigned to work approximately 40 hours per week. On average, corpsmembers stay in the program for a little over seven months. The current annual cost of the program per corpsmember is in the range of \$40,000 to \$45,000 per full-time equivalent.

**CCC Funding.** The CCC receives the majority of its funding from the General Fund (about 60 percent in the current year), with most of the balance coming from reimbursement revenues. When CCC corpsmembers work on projects for other public agencies or private entities, CCC is reimbursed for the labor provided. This reimbursement revenue is used to support the corpsmembers' salaries and benefits as well as department-wide administrative and operational costs. The CCC sets a statewide reimbursement rate target (currently \$18.77 per hour for corpsmember labor) and staff in the field use this target rate when negotiating contracts with client agencies. The current-year budget provides funding for seven residential and 15 nonresidential facilities throughout the state.

**Governor's January 10 Budget.** The Governor's Budget proposed an elimination of the California Conservation Corps. The Governor's Budget also proposed giving \$5 million of the funds that used to go to the CCC to local conservation corps. The proposal was to increase funding for the 12 local corps by \$5 million in 2009-10, increasing to \$10 million in 2010-11 as the CCC operations end completely. This proposal creates net budget-year savings of \$17 million to the General Fund and \$26.4 million to other funds (mostly the Collins-Dugan Reimbursement Account). The net General Fund savings would increase to \$24 million annually beginning in 2010-11 when the CCC would be completely eliminated.

**Budget Act.** The *2009-10 Budget Act* maintained a basic level of support for the CCC.

**LAO Recommendation.** The LAO recommends that in evaluating the Governor's proposal to eliminate CCC, the Legislature should consider various issues. These include (1) the CCC's current capacity to meet its statutory mission, (2) the impact that the CCC's elimination may have on other state agencies that utilize corpsmember labor, (3) the administration's plans to divest the CCC of its capital projects and pay off related debt, and (4) the details of the proposed grant program. The LAO concludes with the recommendation that the Legislature eliminate the CCC but not provide grant funds to the local conservation corps in 2009-10.

The LAO argues that the CCC's mission for education and training has eroded over the years. One of the key legislative goals for the CCC is to provide work training and education for

corpsmembers. In recent years, this primary mission has eroded, with significant reductions in the amount of time spent on training and the number of corpsmembers receiving their high school graduation equivalent. General Fund reductions have shifted the focus of the CCC to those activities generating reimbursement revenues, many of which are not education-or training-oriented. These reimbursable activities range from picking up trash on highways to staffing fire camps during emergencies.

The LAO argues that CCC corpsmember work is not necessarily low-cost for other state agencies. One state agency that utilizes CCC corpsmembers is CalFIRE during large fire incidents. CalFIRE estimates that it may be able to reduce its costs for labor formerly provided by CCC corpsmembers by shifting to local labor contractors. Each corpsmember is reimbursed at \$18.77 per hour (with no payment for overtime), and each supervisor is reimbursed at \$18.77 per hour or at a rate of \$34.84 for overtime. (Overtime is generally necessary for staffing fire camps.) CalFIRE estimates that shifting to a local labor contractor would cost between \$8 and \$10 for normal working hours, and \$12 to \$15 for overtime. The rates for supervisors range from \$12 for normal working hours to \$20 for overtime. A second option involves contracting with local governments using an existing contract at a flat reimbursement rate of \$11.14 per hour. Therefore, options clearly exist for CalFIRE which are significantly less expensive than using CCC labor.

In order to offset the programmatic impact of the CCC elimination, the administration has proposed legislation to start a new program to provide grants to local conservation corps. The proposal appropriates \$5 million in the budget year and \$10 million in subsequent years (General Fund) to the Resources Agency for an undefined grant program to local conservation corps. The administration proposal claims local conservation corps will be able to use the funds to absorb corpsmembers who would otherwise have joined the state CCC. However, the LAO argues that it is not clear that local conservation corps actually have the capacity to absorb state corpsmembers. The budget plan broadly proposes to direct the grant funding to education, operations, job training and emergency response, though it does not have specific details as to which of these would be the highest priority, nor how the grants would be distributed.

The LAO also notes that the administration budget proposal to phase out the CCC includes few details on the administration's plans to divest the operation of its capital assets.

**Staff Comment.** This is an informational item on the LAO's recommendation.

## 2. Federal Funds for CCC

**Federal Funds.** The California Conservation Corps (CCC) is potentially eligible for millions of dollars in federal stimulus funding in three major categories: Land Management/Building Rehabilitation; Workforce Training; and Energy Efficiency Related Activities. The figures below represent a very broad summary of the programs included in the American Recovery and Reinvestment Act (ARRA). It is unknown how much of this funding the Corps will be eligible for until guidelines are finished and programs are in place. However, the breadth of agencies administering funds and the size of appropriations underscore both the unique opportunities that

the CCC has been given and the complexity of pursuing these funds that they will face. Examples of these federal funds in ARRA are:

- Land Management and Building Rehabilitation - \$8.962 billion
- Workforce Training - \$12.912 billion
- Energy Efficiency Related Activities - \$5.161 billion (\$411 million for California)

**Transportation Funds.** AB 20 of the Third Extraordinary Session (Bass, 2009) set aside \$77 million for transportation enhancement projects, such as bike paths and landscaping. Projects that use local conservations corps for the work will be given priority for that funding.

**Section 28.00 Letter.** The Department of Finance sent a Section 28 letter (denoting unanticipated funds) to the Joint Legislative Budget Committee on March 24, 2009. This letter stated that the CCC had received \$585,000 in federal stimulus funds from the U.S. Forest Service. The letter also stated that the CCC only had seven days to begin work on the trail-building projects.

**Staff Comment.** This is an informational item on the federal funds the CCC can anticipate and what the CCC is doing toward ensuring the maximum allocation of federal stimulus funds for CCC projects.



## 3480 Department of Conservation

**Background.** The Department of Conservation (DOC) is charged with the development and management of the state's land, energy, and mineral resources. The department manages programs in the areas of: geology, seismology, and mineral resources; oil, gas, and geothermal resources; agricultural and open-space land; and beverage container recycling.

**Budget Act.** The 2009-10 Budget Act includes \$1.3 billion for the Department of Conservation. This is almost the same as current year expenditures. The majority of the DOC's budget goes toward recycling ("bottle bill").

<b>Summary of Expenditures</b>					
<i>(dollars in thousands)</i>	<b>2008-09</b>	<b>2009-10</b>	<b>\$ Change</b>	<b>% Change</b>	
<b>Type of Expenditure</b>					
Geologic Hazards and Mineral Resources Conservation	\$ 25,264	\$ 25,494	\$ 230	0.9	
Oil, Gas, and Geothermal Resources	28,803	36,153	7,350	25.5	
Land Resource Protection	25,554	20,900	-4,654	-18.2	
Beverage Container Recycling and Litter Reduction	1,235,530	1,232,190	-3,340	-0.3	
Office of Mine Reclamation	6,698	6,782	84	1.3	
Administration	13,757	13,771	14	0.1	
<i>less distributed administration</i>	-13,757	-13,771	-14	0.1	
<b>Total</b>	<b>\$ 1,321,849</b>	<b>\$ 1,321,519</b>	<b>-\$330</b>	<b>0.0</b>	
<b>Funding Source</b>					
General Fund	\$ 11,583	\$ 15,461	\$ 3,878	33.5	
Special Funds	1,277,126	1,278,565	1,439	0.1	
Bond Funds	21,166	15,447	-5,719	-27.0	
<i>Budget Act Total</i>	<i>\$ 1,309,875</i>	<i>\$ 1,309,473</i>	<i>-\$402</i>	<i>0.0</i>	
Federal Trust Fund	1,364	1,394	\$30	2.2	
Bosco-Keene Renewable Resources Investment Fund	1,196	1,235	39	3.3	
Reimbursements	9,414	9,417	3	0.0	
<b>Total</b>	<b>\$ 1,321,849</b>	<b>\$ 1,321,519</b>	<b>-\$330</b>	<b>0.0</b>	

## 1. Local Grant Funds

**Beverage Container Recycling Fund.** The Beverage Container Recycling Fund (BCRF) receives its funds from a fee paid by consumers when eligible containers are purchased, such as soda cans and plastic water bottles. The fund then pays out to recyclers when the eligible containers are recycled.

**Grants Halted.** The Department of Conservation (DOC) provides recycling grants to local non-profits (including local conservation corps). The recycling grants total approximately \$69 million. However, due to the BCRF's declining fund balance DOC has halted these grants as of March 31, 2009. The funds expended by the grant recipients before March 31 will all be reimbursed, and grants expended after will be reimbursed once the fund retains solvency. Unfortunately, many small non-profits cannot wait even a few months for funds to begin flowing again.

**Staff Comment.** Staff recommends that the Subcommittee ask the department to explain how recent recycling activities in the state have impacted the BCRF fund condition.

## 3540 Department of Forestry and Fire Protection

**Background.** The California Department of Forestry and Fire Protection (CalFire), under the policy direction of the Board of Forestry, provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by state or local agencies. In addition, CalFire: (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

**Budget Act.** The 2009-10 Budget Act includes \$1.078 billion for support of the Department of Forestry and Fire Protection in 2009-10. This is a 27 percent decrease over current year expenditures, mainly due to decreased capital outlay expenditures.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2008-09</b>	<b>2009-10</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Office of the State Fire Marshal	\$ 20,669	\$ 20,813	\$ 144	0.7
Fire Protection	1,243,086	993,271	-249,815	-20.1
Resource Management	63,769	61,661	-2,108	-3.3
Board of Forestry	449	449	0	0.0
Capital Outlay	165,139	1,323	-163,816	-99.2
Administration	67,156	80,054	12,898	19.2
<i>less distributed administration</i>	-66,492	-79,412	-12,920	19.4
<b>Total</b>	<b>\$ 1,493,776</b>	<b>\$ 1,078,159</b>	<b>-\$415,617</b>	<b>-27.8</b>
<b>Funding Source</b>				
General Fund	\$ 1,025,972	\$ 767,764	-\$258,208	-25.2
Special Funds	12,314	13,390	1,076	8.7
Bond Funds	155,439	10,034	-145,405	-93.5
<i>Budget Act Total</i>	<i>\$ 1,193,725</i>	<i>\$ 791,188</i>	<i>-\$402,537</i>	<i>-33.7</i>
Federal Trust Fund	33,334	18,390	-14,944	-44.8
Forest Resources Improvement Fund	3,532	7,874	4,342	122.9
Timber Tax Fund	34	34	0	0.0
Reimbursements	263,151	260,673	-2,478	-0.9
<b>Totals</b>	<b>\$ 1,493,776</b>	<b>\$ 1,078,159</b>	<b>-\$415,617</b>	<b>-27.8</b>

## 1. Emergency Response Initiative

**Panel Recommendations.** In October of 2007, a massive wildfire devastated Southern California, burning over 500,000 acres, killing 17 people, and destroying over 3,000 homes. After the 2007 Southern California wildfires, meetings were held to discuss steps that could be taken to reduce future costs in a large fire by improving resources available for deployment. Recommendations included better coordination with military agencies, increasing staffing on engines during peak and transition fire season to four staff per engine (instead of three), replacement of CalFire's aging helicopter fleet, replacement of defective parts on the S-2T aircraft and existing helicopters, and AVL tracking of firefighting assets.

**Emergency Response Initiative Fee.** The Governor's Budget proposed a new fee on fire and multiperil property insurance premiums that would help pay for emergency response efforts in the state. The Emergency Response Initiative (ERI) fee would be set at 2.8 percent of the property coverage premium, and would be collected by insurance companies. The insurance companies would then pass the collections to the Board of Equalization on a quarterly basis. In order for this new fee to become effective, a trailer bill must be passed.

**Governor's Budget.** The Governor's proposed budget included three proposals with ERI funding:

*Emergency Response Initiative Staffing:* \$29,896,000 in 2009-10 and \$60,749,000 starting in 2010-11. This proposal includes 236 new positions to increase staffing on fire engines from three people to four people. These funds would also be used for automatic vehicle locators on fire engines, crew transports, dozers and aviation assets, and replacement of CalFire's 11 helicopters.

*Aviation Asset Coordinator:* \$265,000 and 1.5 PY to create and staff a new program to coordinate aviation assets between CalFire, the federal military, the California Military Department, and the Modular Airborne Fire Fighting System Program.

*Wide Area Network:* \$11,413,000 (of which \$3,995,000 is on-going) and six positions over seven years to upgrade CalFire's internet connectivity. Currently only five percent of CalFire stations have broadband capability, with most stations using dial-up internet and some with no internet at all. The lack of bandwidth becomes a problem during fire incidents when large data files must be shared at rapid pace to be useful in firefighting.

**Budget Act.** The *2009-10 Budget Act* does not include any Emergency Response Initiative funding. The Budget Act also did not include trailer bill language authorizing this new fee.

**Staff Comments.** The structure of the new fee is a policy decision on how state emergency services should be funded. Currently these expenditures come from the General Fund, but the benefits of state fire protection are almost exclusively in the State Responsibility Areas.

If the Budget Subcommittee chooses to move forward with an emergency services fee, staff would point out the following potential General Fund savings:

1. The Subcommittee could consider using the new fee revenue to substitute base General Fund funding, rather than adding new staffing to the department.
2. The department has several new proposals in the *2009-10 Budget Act* that are funded with General Fund. These include 18 new Battalion Chiefs for approximately \$1.7 million and 20 new accounting oversight positions for \$1.3 million. The Subcommittee may wish to revisit these proposals later in the spring to see if they should be substituted with ERI funds or delayed for one year.

**Staff Recommendation.** Staff recommends that the Subcommittee take testimony on the proposed new fee. Staff also recommends that the Subcommittee consider funding the automatic vehicle locators, the new helicopters, the aviation asset coordinator, and the Wide Area Network if the fee is passed.

## 2. Air Resources Board Regulations on Diesel Equipment

**Air Resources Board Regulations.** In January 2007, the Air Resources Board (ARB) adopted regulations for “On-Road Heavy-Duty Diesel-Fueled Public Fleets”. This regulation requires all state agencies and local governments to retrofit 60 percent of their diesel vehicles to reduce identified diesel particulate matter in the exhaust by 75 percent by 2010. If 60 percent of the fleet is not retrofitted, the state agency may face penalties of \$1,000 to \$10,000 per day of non-compliance.

**ABxx 8.** In February 2009, legislation was passed that extended the compliance period for the Air Resources Board regulations.

**Governor’s Budget.** The Governor’s Budget proposed \$2,762,000 in General Fund for CalFire to retrofit 45 off-road heavy-duty diesel vehicles to meet new ARB clean air regulations. The compliance is towards the following regulations:

1. *In-Use On-Road Regulations for Public Fleets* – CalFire has 59 vehicles that meet this criteria. Sixty percent of these vehicles must be retrofitted by December 31, 2009. It will cost approximately \$20,000 to retrofit each vehicle, for a total of \$1,180,000.
2. *In-Use Off-Road Regulations for Diesel Vehicles* – CalFire has 145 off-road vehicles that have to comply with this regulation to reduce NOX and Particulate Matter pollution. The total cost of retrofitting this fleet is \$2,900,000 over five years, or \$580,000 annually.
3. *Portable Equipment Registration Program (PERP)* – This program monitors the movement of heavy-duty equipment between air districts. In order to move a piece of heavy-duty equipment from one air district to another, CalFire will need a permit. CalFire has 126 pieces of such equipment, 89 of which are too old to quality and must be replaced with a cost of \$2,406,000. After replacement, these pieces still have to be registered if transported. The total registration fee for all CalFire equipment under the PERP program is \$79,400 annually.

**Budget Act.** The *2009-10 Budget Act* includes no funds for this item.

**ABxx 8.** AB 8 of the Second Extraordinary Session of 2009-10 extended the implementation deadline for the ARB regulation on Off-Road Diesel Vehicles. This extension allows until 2011 instead of the original 2010 for 20 percent of the fleet to be retrofitted.

**Staff Comment.** Due to ABxx 8, CalFire does not have to retrofit any of its in-use off-road diesel vehicles during 2009-10. The ARB regulations for in-use on-road public fleets requires 60 percent of the fleet retrofitted by December 31, 2009. CalFire has 59 in-use on-road diesel vehicles, of which 36 would have to be retrofitted during the 2009-10 fiscal year for a cost of \$720,000. CalFire will still have to meet the portable equipment registration program requirements.

**Staff Recommendation.** Staff recommends that the Subcommittee wait until the April revenue numbers are received before considering funding for this item. Also, alternative funding sources such as the federal stimulus funds for diesel emission reduction should be considered.

### 3. Assembly Bill 2917

**Emergency Medical Technician.** The State Fire Marshall (SFM) is, by statute, authorized to certify public safety personnel as Emergency Medical Technicians (EMT). The SFM certification program is designed to correlate with the state Emergency Medical Service (EMS) certification standards to provide a record of training. Through this program CalFire oversees approximately 5,000 EMTs statewide.

**AB 2917.** AB 2917 (Torrico, 2008) requires the entity certifying EMTs to establish and maintain a centralized system for monitoring and tracing EMT certification and licensure status. AB 2917 also requires CalFire to establish EMT certification and disciplinary guidelines.

**Budget Act.** The *2009-10 Budget Act* includes \$319,000 (\$279,000 from General Fund and \$40,000 from reimbursements).

**LAO Recommendation.** In the 2009-10 Budget Analysis, the LAO states that while CalFire is required to comply with this legislation, the LAO finds that it has proposed a relatively costly method to do so. Specifically, CalFire proposes to hire an outside medical director to oversee compliance. The LAO recommends that the Legislature reject this proposal, and direct the department to resubmit its proposal after finding a more cost-effective way to comply with the law.

**Staff Recommendation.** Staff recommends that the Subcommittee remove funding for this item from the *2009-10 Budget Act*.

## 4. Arson and Bomb Unit

**Background.** Each year approximately 160,000 pounds of illegal fireworks are seized in California. Due to environmental and safety reasons, existing statute requires that the State Fire Marshal dispose of seized illegal fireworks. The cost of safely disposing of the illegal fireworks is approximately \$6 per pound. To cover the cost of illegal firework disposal, SB 839 (Calderon, 2007) established the State Fire Marshal Fireworks and Enforcement Fund to receive 65 percent of penalties from the possession of illegal fireworks “to enforce, prosecute, dispose of, and manage dangerous fireworks and to educate public safety agencies in the proper handling and management of dangerous fireworks.”

**Governor’s Budget.** The Governor’s Budget proposed \$285,000 from the Fireworks and Enforcement Fund for two new positions to establish an Arson and Bomb Unit within the State Fire Marshal. The Unit would conduct enforcement and disposal of illegal fireworks.

**Budget Act.** The *2009-10 Budget Act* does not include any funds for the arson and bomb unit.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal. This proposal is significantly scaled back from the 2008-09 proposal that was rejected. Due to concerns over the handling of explosives and clean air concerns, trained personnel must handle the disposal of large quantities of fireworks. The funding comes from a dedicated source for fireworks disposal.

## 5. Lease-Revenue Bond Funded Capital Outlay Proposals

**Background.** All lease-revenue bond funded capital outlay proposals were pulled from the 2009-10 Budget Act without prejudice. The concerns over lease-revenue proposals were two-fold: (1) lease-revenue bond funded projects must have all phases of the project approved, removing legislative control over decisions on the project prior to the completion of plans; and (2) long-term debt service of the state.

**Governor’s Budget.** The Governor’s Budget proposed \$290,344,000 in lease-revenue bond funded projects. These projects were:

1. El Dorado Fire Station: service warehouse – replace facility. This project includes construction of a 16-bed barracks and mess hall; 5-bay auto shop with a welding bay, service center/warehouse with Self Contained Breathing Apparatus component and generator/pump/storage building with generator. \$26,375,000
2. Cuesta Conservation Camp – relocate facility. This project would relocate the Cuesta Conservation Camp and the Unite Mobile Equipment Maintenance Facility to another location within the same state-owned Camp San Luis Obispo property. \$70,238,000
3. Parlin Fork Conservation Camp – replace facility. This project would replace a conservation camp with: a new administrative building; standard 14-bed barracks/mess hall; warehouse; physical training building; 4-bay utility garage; auto and welding shop; generator/pump/storage building; and various inmate use buildings. \$53,544,000

4. Soquel Fire Station – replace facility. This project would construct an 8-bed barracks/mess hall; 2-bay apparatus building; and a generator/pump/storage building with an emergency generator. \$10,599,000
5. Gabilan Conservation Camp. This project would construct a 14-bed officer's quarters, an 8-bed officer's quarters for Department of Corrections staff, a vehicle wash rack and a fire cache trailer cover. \$21,865,000
6. Potrero Fire Station – replace facility. This project would construct a new standard 2-engine fire station with a 14-bed barracks/mess hall; 3-bay apparatus building, a battalion chief's office and a generator/pump/storage building with an emergency generator. \$10,389,000
7. Tuolumne-Calaveras Service Center – relocate facility. This project would relocate and construct a 10,000 sq ft service center (warehouse with office space); an administrative office building; a physical training building; an emergency command center; a fuel dispensing system; and a generator/pump building with an emergency generator. \$24,655,000
8. Butte Unit – replace facility. This project would include demolition of existing buildings and the construction of a 20-bed barracks/mess hall, 3-bay apparatus building; an administrative office building; 5-bay auto shop, 2-bay dozer shed, covered vehicle wash rack, a physical fitness building, service center/warehouse, a maintenance building, and a generator/storage building. \$30,692,000
9. Cayucos Fire Station – replace facility. This project would include demolition of existing structures and construction of an 8-bed barracks, 2-bay apparatus building and a generator/storage building with an emergency generator. \$9,678,000
10. Felton Fire Station – replace facility. This project would include demolition of existing buildings and construction of a 12-bed barracks, 2-bay apparatus building, a dozer shed, an administrative office building, a dispatch area, two generator/pump/storage buildings, and a physical training building. \$25,100,000
11. Parkfield Fire Station – replace facility. This project would include construction of an 8-bed barracks/mess hall, a 2-bay apparatus building, a generator/pump/storage building, fuel facilities, vehicle wash pad, underground utilities, propane system, septic system, a new well, a new water treatment system, a security fence, and landscaping. \$7,209,000

**Budget Act.** The *2009-10 Budget Act* does not include funds for CalFire capital outlay proposals. The funds for capital outlay projects were removed without prejudice.

**Staff Recommendation.** Staff recommends that the Subcommittee wait until spring revenue numbers become available to decide if some of the lease-revenue funded projects could be pursued this year.

## 6. Hemet-Ryan Air Attack Base – Replace Facility

**Project.** This project consists of constructing the following: a helicopter and OV-10 hanger; a helipad; tarmac improvements including six retardant loading pits; a protective aircraft weather canopy; a 2-story air operations building; a 22-bed barracks/mess hall; a 3-bay apparatus storage and vehicular equipment building; a fire retardant chemical mixing plant with 40,000 gallons of



storage capacity. This project would also include installation of sewer connections, fencing, paving, landscaping, utilities, and surface water runoff mitigation.

**Special Considerations.** The Hemet-Ryan Air Attack Base is one of two CalFire air bases in southern California. Most of the structures on the base were built in the 1950s. The base is located at Hemet Airport, which is owned by Riverside County. The county is a recipient of federal funds, and thus all projects at the airport fall under the Federal Aviation Authority's (FAA) regulations. The restrictions placed on projects by the FAA preclude the state from using lease-revenue bonds.

**Governor's Budget.** The Governor's January 10 Budget proposed \$21,327,000 General Fund for the construction phase of this project.

**Budget Act.** The *2009-10 Budget Act* does not include any funds for this project.

**Staff Recommendation.** Staff recommends that the Subcommittee ask the department if it would be feasible to move forward with only some of the new building constructions in 2009-10, rather than start all of the buildings at the same time. The rest of the new buildings could be funded in later years, thus phasing in construction.

## 7. LAO Recommended General Fund Savings

**CalFire General Fund Budget.** Due to the size of the fire protection budget and its dramatic increases in recent years, the LAO thinks it is critical to address the spiraling costs of fire protection as one strategy for balancing the 2009-10 budget. In order to do so, the LAO recommends that the Legislature reduce the department's General Fund budget for fire protection by \$55.1 million in 2009-10 (with \$16.8 million in ongoing savings), as follows:

- **Eliminate Funding for DC-10 Aircraft Contract:** \$6.8 Million Ongoing Savings. CalFire contracts with the owners of a DC-10 jet aircraft that has been converted for use in fire fighting. The department has used the DC-10 to supplement its existing air fleet, rather than to replace existing aviation assets. In 2008, the cost of this contract was \$6.8 million. While the addition of this resource has added to CalFire's fire protection capabilities, the department has not shown that the use of this asset has improved its fire protection response capability in a cost-effective manner.
- **Delay Vehicle Replacements in the Budget Year:** \$17 Million One-Time Savings. The proposed budget includes \$10.8 million from the General Fund for fire engine replacements and \$6.2 million from the General Fund for replacement of other vehicles. The LAO recommends that the Legislature eliminate this funding in the budget year, and that these expenditures be delayed for one year. As vehicles age, the cost of maintaining them increases and the amount of time they are unavailable due to maintenance needs increases. Ultimately, CalFire will have to resume its vehicle replacement program. However, given the state's very difficult budget situation, the LAO recommends that this replacement program be delayed by one year. The LAO thinks this can be done without significantly impacting the department's emergency response capability.

- **Close Low-Priority Fire Stations and Other Facilities:** \$10 Million Ongoing Savings. The LAO recommends that the Legislature reduce CalFire's base General Fund fire protection budget by \$10 million and direct the department to close the fire stations that are a lower priority to keep open for wildland fire protection, in order to achieve this level of savings. The department has identified a list of such lower-priority stations, based on criteria including the number of calls to those stations, the frequency of large fires in the surrounding areas, and other factors. While this recommendation would reduce the level of fire protection service provided by the department, the LAO notes that it reflects a reduction of only two percent to the proposed budget and would leave the department with a General Fund base budget approximately equal to the enacted 2008–09 budget.
- **Capital Outlay Deferral:** \$21.3 Million One-Time Savings. The Governor's budget proposes to spend \$21.3 million from the General Fund in 2009-10 on a capital outlay project to replace the Hemet-Ryan Air Attack Base. This deteriorating facility ultimately will need to be replaced. However, the LAO finds that the department can continue to use this facility in the near term (albeit with increasing maintenance costs). The LAO recommends the Legislature defer the project until a later year.

**Staff Comment.** The capital outlay projects for the department have already been deferred in the *2009-10 Budget Act*.

## 8. Timber Harvest Plans – Update

**Timber Harvest Plans.** Under the state Forest Practice Act, logging operations must comply with a timber harvest plan (THP). The THP describes the proposed logging methods and projected production from an area, as well as any environmental mitigation measures that the timber harvesters will undertake to prevent or offset damage to natural resources, such as fish or wildlife. Current THPs cover a three-year period during which the landowner can log the acreage of timber specified in the THP. The THP process is intended as an in-lieu of a California Environmental Quality Act (CEQA) document. During 2007, CalFire received 435 THP requests, which covered 133,876 acres.

**THP Review.** The Department of Forestry and Fire Protection (CalFire) has the statutory responsibility to review THPs, approve or deny them, and to monitor compliance with the plan during logging operations. In addition to CalFire's review of THPs, the Department of Conservation, the State Water Resources Control Board, and the Department of Fish and Game (DFG) also participate in the review and enforcement of THPs under their own statutory authorities. Under current statute, there is a THP review fee in place, however that fee does not pay for the general cost of reviewing or monitoring compliance with THPs. The state covers approximately \$24 million of the THP review and monitoring costs from the General Fund.

**2008 Subcommittee Hearing.** At the April 7, 2008, Budget Subcommittee 2 hearing, CalFire and the DFG were instructed to work together to examine efficiencies in the THP review process. The departments should report their progress to the Subcommittee.

## 3600 Department of Fish and Game

**Background.** The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish, wildlife, and natural resources of the state. The Fish and Game Commission sets policies to guide the department in its activities and regulates fishing and hunting. The DFG currently manages about 850,000 acres including ecological reserves, wildlife management areas, hatcheries, and public access areas throughout the state.

**Budget Act.** The *2009-10 Budget Act* includes \$450 million for support of the Department of Fish and Game. This is a reduction of \$24 million, or 5 percent, over current year expenditures. This reduction is primarily due to a reduction in bond funds and the 2008-09 expenditure of a one-time General Fund appropriation.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2008-09</b>	<b>2009-10</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Biodiversity Conservation Program	\$ 254,032	\$ 214,607	-\$39,425	-15.5
Hunting, Fishing, and Public Use	71,621	72,104	483	-0.7
Management of Department Lands	47,087	51,245	4,158	8.8
Enforcement	62,101	68,449	6,348	10.2
Communications, Education, and Outreach	4,722	4,806	84	1.8
Spill Prevention and Response	33,624	35,815	2,191	6.5
Fish and Game Commission	1,345	1,379	34	2.5
Capital Outlay	530	2,149	1,619	305.5
Administration	43,672	43,811	139	0.3
<i>less distributed administration</i>	<i>-43,672</i>	<i>-43,811</i>	<i>-139</i>	<i>0.3</i>
<b>Totals</b>	<b>\$ 475,062</b>	<b>\$ 450,554</b>	<b>-\$24,508</b>	<b>-5.2</b>
<b>Funding Source</b>				
General Fund	\$ 85,135	\$ 75,848	-\$9,287	-10.9
Special Funds	172,899	184,957	12,058	7.0
Bond Funds	127,457	85,919	-41,538	-32.6
<i>Budget Act Total</i>	<i>385,491</i>	<i>346,724</i>	<i>-38,767</i>	<i>-10.1</i>
Federal Trust Fund	51,328	52,718	1,390	2.7
Reimbursements	38,597	44,444	5,847	15.2
Salton Sea Restoration Fund	-4,229	2,883	7,112	-168.2
Harbors and Watercraft Revolving Fund	2,149	2,181	32	1.5
Special Deposit Fund	1,586	1,604	18	1.1
Coastal Wetlands Account	140	0	-140	-100.0
<b>Total</b>	<b>\$ 475,062</b>	<b>\$ 450,554</b>	<b>-\$24,508</b>	<b>-5.2</b>

## 1. Diesel Vehicle Retrofit Program

**Background.** In January 2007, the Air Resources Board (ARB) adopted regulations for “On-Road Heavy-Duty Diesel-Fueled Public Fleets”. This regulation requires all state agencies and local governments to retrofit 60 percent of their diesel vehicles by December 31, 2009 to reduce identified diesel particulate matter in the exhaust. If 60 percent of the fleet is not retrofitted, the state agency may face penalties of \$1,000 to \$10,000 per day of non-compliance.

**Fish and Game Fleet.** The Department of Fish and Game (DFG) has 75 vehicles that are considered on-road heavy-duty diesel vehicles. These vehicles are used for fish planning, stream-bed restoration, habitat maintenance, and other department activities. DFG estimates that it will cost \$900,000, or \$20,000 per vehicle, to retrofit 45 vehicles and reach regulation compliance by 2010.

**Governor’s Budget.** The Governor’s Budget proposes \$900,000 from various funding sources for the clean-air retrofits of 45 department on-road heavy-duty diesel vehicles. The funding sources are:

- \$405,000 from the General Fund
- \$270,000 from the Fish and Game Preservation Fund
- \$63,000 from the California Environmental License Plate Fund
- \$63,000 from the Oil Spill Preservation and Administration Fund
- \$54,000 from Reimbursements
- \$45,000 from the Hatcheries and Inland Fisheries Fund

**Staff Recommendation.** Staff recommends that the Subcommittee wait until the April revenue numbers are received before considering funding for this item. Also, alternative funding sources such as the federal stimulus funds for diesel emission reduction should be considered.

## 2. Renewable Energy Regulatory Action Team

**Background.** Current statute requires that California’s energy use consist of a minimum of 20 percent renewable energy by 2010. The Governor’s Executive Order S-14-08 expanded the required use of renewable energy to 33 percent of energy use by 2020. The Public Utilities Commission has estimated that in 2008 renewable energy made up 13.7 percent of all energy sales in California. To reach the goal of 20 percent, more renewable power facilities must be constructed, and those facilities must have transmission lines to deliver power to distribution centers. There are a number of environmental permits and concerns overseen by the Department of Fish and Game (DFG) that apply when new power facilities and transmission lines are constructed. These include incidental take permits, the California Environmental Quality Act, and endangered species habitat concerns.

**Renewable Energy Conservation Planning Program.** The Department of Fish and Game’s Renewable Energy Conservation Planning Program (RECPP) will focus on providing permit and technical assistance to expedite siting and construction of renewable energy projects. The RECPP will also work on including the Renewable Portfolio Standard into the Natural

Communities Conservation Plan process. This program is anticipated to run for the next 15-20 years as increasing amounts of renewable energy are constructed in California.

**Governor's Budget.** The Governor's Budget proposes \$3,057,000 from reimbursements for 22 temporary two-year positions to establish a Renewable Energy Action Team and a Renewable Energy Conservation Planning Program. The reimbursement for 2009-10 comes from:

- \$1,498,897 from the Energy Commission
- \$1,558,103 from the Wildlife Conservation Board Proposition 84 bond funds

The reimbursement for 2010-11 comes from:

- \$749,489 from the Energy Commission
- \$1,498,897 from the Wildlife Conservation Board Proposition 84 bond funds
- \$1,528,500 from energy generators

**Budget Act.** The *2009-10 Budget Act* does not include funds for this purpose.

**Staff Recommendation.** Staff recommends no action at this time.

### 3. Anadromous Fish Management

**Background.** The Department of Fish and Game (DFG) Anadromous fish management has three components: the Coastal Salmonid Monitoring Plan, the Coho Recovery Plan Implementation, and Coastal Steelhead and Chinook Recovery.

*Coastal Salmonid Monitoring Plan.* The State of California does not have in place a coast-wide program to monitor the status and trend of salmon and steelhead populations. The DFG and the National Marine Fisheries Service (NMFS) have partnered on the development of the California Coastal Salmonid Monitoring Plan to monitor Anadromous fishes on the entire coast of California. The emphasis of the plan is to gather the data needed to manage fishing and hatcheries, and to de-list the federal and state-listed species.

*Coho Recovery Plan Implementation.* Coho salmon are listed as either threatened or endangered in California, depending on the river. The DFG adopted a Coho Recovery Strategy in 2004 that sets forth detailed actions to recover the species to the point of de-listing. The funding provided for the 2009-10 fiscal year will support projects through a direct grant program, managed by existing Fisheries Restoration Grant Program staff.

*Coastal Steelhead and Chinook Recovery.* The DFG approved a Steelhead Restoration and Management Plan in 1996, but until 2008-09 no funding was provided for the implementation of this plan. Nearly all salmon and steelhead runs on the coast are now listed as threatened or endangered.

**2008-09 Budget Act.** The *2008-09 Budget Act* included \$10,856,000 from Proposition 84 bond funds for grant funds and eight permanent and six temporary positions for Anadromous fish management.

**Budget Act.** The *2009-10 Budget Act* includes \$9,734,000 from Proposition 84 bond funds for Anadromous fish management. This includes Coastal Salmonid Monitoring Plan implementation, Coho Recovery Plan implementation, and Coastal Steelhead and Chinook recovery. No new positions were included in the *2009-10 Budget Act*.

Specifically, with these funds DFG will:

- Provide grants for fisheries restoration activities.
- Provide infrastructure in the Fisheries Branch and Regions to provide the bases for future plan implementation.
- Inform state and federal regulatory and environmental documentation needs.
- Provide a guide to the implementation of recovery plans.
- Assist other monitoring efforts in coastal watersheds by establishing a sampling matrix and guidelines for annual probabilistic surveys.
- Establish a joint Department/NMFS policy oversight and management team.

**Staff Recommendation.** Staff recommends that the Subcommittee ask the department to explain their work plan for these funds and how this work builds on the \$10.8 million in Proposition 84 funds the department received in 2008-09.

## 4. ERP Implementation NCCP

**Background.** The objective of the Natural Communities Conservation Plan (NCCP) is to conserve natural communities at the ecosystem scale while accommodating compatible land use. The NCCP is a plan for the conservation of natural communities that takes an ecosystem approach and encourages cooperation between private and government interests. The plan identifies and provides for the regional or area-wide protection and perpetuation of plants, animals, and their habitats, while allowing compatible land use and economic activity. Proposition 84 includes a set-aside of \$20 million for the development of NCCPs.

**Governor's Budget.** The Governor's budget requested \$8,914,000 in Proposition 84 bond funds for the NCCP for the CALFED Bay-Delta Program. Funds would be used for conservation actions, baseline surveys, data analysis, peer review, habitat mapping and other activities necessary for development of the Bay-Delta Conservation Plan.

**Budget Act.** The *2009-10 Budget Act* includes no funds for this proposal.

**Staff Recommendation.** Staff recommends that the Subcommittee ask the department to explain how this proposal is related to the ERP implementation projects (issue 5 below) and the timeline for completing the plan and the projects.

## 5. Ecosystem Restoration Program

**ERP Background.** The Ecosystem Restoration Program (ERP) is a part of the CALFED Record of Decision on how to fix the Sacramento-San Joaquin Bay Delta. The Bay-Delta provides the drinking water to two-thirds of Californians. The ERP was designed to:

- Improve the ecological health of the San Francisco Bay and Sacramento-San Joaquin Delta.
- Achieve recovery of at-risk species in the Delta, Suisun Marsh, and San Francisco Bay and in the watershed above the estuary.
- Restore ecological processes associated with water conveyance, environmental productivity, water quality, and floodplains.

**Budget Act.** The *2009-10 Budget Act* includes \$22,022,000 in Proposition 84 bond funds for the Ecosystem Restoration Program.

**Proposal.** With these funds, the department intends to pursue the Stage 2 Conservation Strategy of the Ecosystem Restoration Program. This stage would adaptively address current scientific research, monitoring, results, and changing conditions identified regarding climate change, levee fragility, and increased water quality and demand.

**Staff Comment.** These funds are to fulfill the CALFED Record of Decision (ROD) environmental restoration goals. With the Bay-Delta Blue Ribbon Commission the state is moving away from the ROD and reconsidering the Delta restoration priorities. A proposal in the Department of Water Resources' budget to fund an alternative Delta conveyance water facility raises questions as to: (1) how such an alternative conveyance facility will impact the Delta ecosystem and (2) how effective the ERP is in relation to the ecological changes such an alternative conveyance system may bring to the Delta.

**LAO Recommendation.** The LAO recommends that the Legislature reject the budget proposal for new ecosystem restoration projects until the Legislature has had an opportunity to consider the long-term uses and configurations of the Delta as both an ecosystem and a water supply system. The result of those deliberations may be significant changes to the way in which the state uses the Delta. The LAO thinks it would be premature to fund restoration projects before those decisions are made, since fundamental changes to the Delta may make the proposed projects unsustainable in the long term.

**Staff Recommendation.** Staff recommends that the Subcommittee ask the Department of Fish and Game about the effectiveness of the ERP to date. Staff recommends that the Subcommittee bring this item back in the May open issues hearing after the Subcommittee has made a decision on whether or not to fund the alternative Delta conveyance proposal under the Department of Water Resources budget.



## 6. Law Enforcement Warden Increase

**Wardens.** Fish and Game wardens, in addition to traditional law enforcement duties, are responsible for enforcing State and Federal laws relating to fish, wildlife, pollution and habitat within the State and offshore to 200 miles. California currently has 370 warden positions who are responsible for patrolling all DFG managed lands and enforcing statute related to wildlife.

**Environmental License Plate Fund.** The Environmental License Plate Fund (ELPF) revenues come from people voluntarily paying an extra fee for an environmental picture license plate when they register their vehicle. The fund revenues have been dropping for the last several years, with fund reserves dropping to zero in 2008-09.

The Governor's budget included trailer bill language, which has not yet been passed by the Legislature, that would increase the ELPF fees. Even with this increase in fees, departments that receive ELPF funds would see a reduction in their share of ELPF funding. The Department of Fish and Game ELPF funding levels were reduced by \$3 million in 2009-10, and that reduction was backfilled with Fish and Game Preservation Fund. That \$3 million was entirely to support Fish and Game wardens.

**Budget Act.** The *2009-10 Budget Act* includes an increase of \$3 million from the Fish and Game Preservation Fund for 15 new warden positions. These funds are in addition to the funding swap from ELPF to the Fish and Game Preservation Fund that also took place.

**Staff Comment.** The Environmental License Plate Fund fee increase will be considered at the April 23 hearing under the Secretary for Resources.

## 7. Quagga Mussel

**Background.** The Quagga Mussel is a highly invasive freshwater mussel that is capable of devastating aquatic ecosystems and impacting water infrastructure. The Quagga Mussel is related to the Zebra Mussel and can reproduce at very rapid rates. It has spread throughout the eastern United States, and is known for hindering water for domestic, municipal, industrial, and agricultural purposes by clogging pipes and other water delivery infrastructure. The Quagga Mussel was discovered in California on January 17, 2007. The Quagga Mussel was found in Lake Mead, Lake Havasu, and on the Metropolitan Water District intake pumps.

DFG has expressed concern that the species could cause potentially wide-spread damage to drinking water pumping systems and other related infrastructure. Early estimates indicate that the establishment of this species in California waters can result in costs to the state of at least \$70 million in infrastructure costs and \$40 million in annual maintenance. The Quagga Mussel is spread by boats that are moved from one body of water to another.

**AB 1683.** AB 1683 (Wolk, 2007) requires DFG to develop Quagga Mussel control and eradication plans, as well as assist water agencies in the development and implementation of their plans of control and eradication if the Quagga is discovered in their systems. Also, AB

1863 required DFG to inspect waters and water facilities in the state for Quagga Mussel presence. If Quagga or Zebra mussels are found in a local water body, AB 1683 requires local agencies that operate a water supply system to prepare a plan to control Quagga and Zebra mussels.

**Local Governments.** In January 2008, zebra mussels were found in San Justo Reservoir in San Benito County. Zebra mussels have never before been found in California. By state law, the local water agency is required to develop a plan for controlling the mussel infestation. In response to the San Justo Reservoir infestation, the county and local water district cooperated with nearby counties to develop a regional approach to an inspection program, including a computerized tracking system, for five counties in the Bay Area (Santa Clara, Contra Costa, Alameda, Monterey, and San Benito). This regional inspection-based approach is unique to this coalition.

**Staff Recommendation.** Staff recommends that the Subcommittee consider providing some funding from the Harbors and Watercraft Fund to the Bay Area multi-county response effort as a pilot project.

## 8. Marine Life Protection Act

**Background.** AB 993 (Shelley, 1999) established the Marine Life Protection Act (MLPA). The MLPA directs the state to design and manage a network of marine protected areas in order to, among other things, protect marine life and habitats, marine ecosystems, and marine natural heritage, as well as improve recreational, educational, and study opportunities provided by marine ecosystems. The Fish and Game Commission develops the plan that drives the implementation of the Act.

The implementation of MLPA will occur in five regions: (1) Central Coast; (2) North Central Coast; (3) South Coast; (4) North Coast; and (5) San Francisco Bay.

There are six goals that guide the development of Marine Protected Areas (MPA) in the MLPA planning process:

1. Protect the natural diversity and abundance of marine life, and the structure, function and integrity of marine ecosystems.
2. Help sustain, conserve and protect marine life populations, including those of economic value, and rebuild those that are depleted.
3. Improve recreational, educational and study opportunities provided by marine ecosystems that are subject to minimal human disturbance, and to manage these uses in a manner consistent with protecting biodiversity.
4. Protect marine natural heritage, including protection of representative and unique marine life habitats in California waters for their intrinsic values.
5. Ensure California's MPAs have clearly defined objectives, effective management measures and adequate enforcement and are based on sound scientific guidelines.
6. Ensure the State's MPAs are designed and managed, to the extent possible, as a network.

**Science Advisory Team.** The MLPA Master Plan Science Advisory Team (SAT) will be appointed by the director of the California Department of Fish and Game to help advise the Marine Life Protection Act (MLPA) process. The SAT provides the scientific information and technical judgment that assists with: (1) meeting the objectives of the MLPA; (2) providing informed recommendations to the MLPA Blue Ribbon Task Force (BRTF); and (3) completing the master plan for marine protected areas (MPAs).

The SAT reviews and comments on scientific papers relevant to the implementation of the MLPA; reviews alternative MPA proposals; reviews master plan documents; responds to scientific issues presented in those documents; and addresses scientific questions raised by the BRTF and stakeholders. Members of the SAT are technical experts in a range of fields including marine ecology, fisheries, the design of marine protected areas, economics, and social sciences.

**Staff Comment.** Staff recommends that the Subcommittee ask the department for an update on MLPA implementation. As part of this update, the department should address how the effectiveness of the MPAs is measured; what are the costs of the program; as well as how priorities for the protected area locations are set.

## 9. LAO Recommendation – Fee Increases

**LAO Recommendation.** Several of the program areas proposed for reductions are regulatory program activities that currently receive some fee-based support or could be supported with revenues from new fees, based on the “polluter pays” principle and the “beneficiary pays” principle. In the case of the fees recommended by the LAO, the department is responding to proposals by the regulated community that impact natural resources. Because the department’s efforts in these programs are driven directly by the activities of the regulated community, the LAO thinks it is appropriate that the regulated community pay the full cost of operating these regulatory programs. In particular, the following program areas have existing fees or could be supported by fees:

- *California Endangered Species Act Review.* State law requires the protection of all species that are designated as threatened or endangered. The department has statutory responsibility to enforce these laws and is also empowered to grant permits for “incidental take” of protected species where activities -- such as development -- can be done in a way that does not threaten protected species’ long-term survival. Currently, there is no existing fee for this activity in statute. Currently, this program is supported primarily by the General Fund, with additional support from various special funds. The LAO recommends the enactment of legislation to create a new regulatory fee to fully fund this program, saving the General Fund about \$1.9 million and potentially \$800,000 in special funds.
- *Natural Communities Conservation Plan (NCCP) Review.* In state law, there is an alternative to the Endangered Species Act approach of looking at individual species. Under the Natural Communities Conservation Planning Act, government agencies and/or private entities can create long-term, ecosystem-based conservation plans designed to protect multiple threatened or endangered species. This system allows for a more comprehensive approach to species protection, while at the same time giving the

proponents of a plan assurances about future regulation, thereby allowing them to proceed with projects that may impact species in the future. Under state law, the department is required to review and approve any proposed NCCP. Currently, this program is supported by the General Fund, as well as various bond, special, and federal funds. Current law allows a fee to be assessed by the department to recover its costs. The LAO recommends that the Legislature eliminate the General Fund support for this program and direct the department to raise fees sufficient to cover its costs, as state law allows it to do -- yielding General Fund savings of about \$850,000 and potential additional savings to the other fund sources currently supporting the program.

**Staff Comment.** Due to the state's \$8 billion budget shortfall, staff advises the Subcommittee to consider all options for General Fund savings, even if no vote is taken at this time.

## 3790 Department of Parks and Recreation

**Background.** The Department of Parks and Recreation acquires, develops, and manages the natural, cultural, and recreational resources in the state park system and the off-highway vehicle trail system. In addition, the department administers state and federal grants to local entities that help provide parks and open-space areas throughout the state.

The state park system consists of 277 units, including 31 units administered by local and regional agencies. The system contains approximately 1.4 million acres, which includes 3,800 miles of trails, 300 miles of coastline, 800 miles of lake and river frontage, and about 14,800 campsites. Over 80 million visitors travel to state parks each year.

**Budget Act.** The 2009-10 Budget Act includes \$840.7 million for Parks and Recreation. This is an increase of nearly 20 percent from current year due to an increase in bond funds for local assistance.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2008-09</b>	<b>2009-10</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Support of the Department of Parks and Recreation	\$ 463,503	\$ 434,089	-\$29,414	-6.4
Local Assistance Grants	98,967	324,841	225,874	228.2
Capital Outlay	139,439	81,809	-57,630	-41.3
<b>Total</b>	<b>\$ 701,909</b>	<b>\$ 840,739</b>	<b>138,830</b>	<b>19.8</b>
<b>Funding Source</b>				
General Fund	\$ 141,940	\$ 143,408	1,468	1.0
Special Funds	306,150	247,174	-58,976	-19.3
Bond Funds	159,114	379,238	220,124	138.3
<i>Budget Act Total</i>	<i>607,204</i>	<i>769,820</i>	<i>162,616</i>	<i>26.8</i>
Federal Trust Fund	45,404	17,906	-27,498	-60.6
Reimbursements	47,118	51,750	4,632	9.8
Harbors and Watercraft Revolving Fund	2,183	1,263	-920	-42.1
<b>Total</b>	<b>\$ 701,909</b>	<b>\$ 840,739</b>	<b>138,830</b>	<b>19.8</b>

## 1. Parks Concession Contracts

**Concession Contracts.** Pursuant to Public Resources Code 5080.2, the Legislature must approve Department of Park and Recreation concession contracts. For the 2009-10 fiscal year there are four concession agreements that require legislative approval.

1. Ferry Service from San Francisco to Angel Island
2. Hollister Hills State Vehicular Recreation Area — Park Store Concession
3. Oceano Dunes State Vehicular Recreation Area — Camp Trailer Rental Service
4. Santa Monica State Beach — Food Service Concession Stand

**Supplemental Report Language.** Supplemental Report Language (SRL) describing the contacts should be included in the final Supplemental Report Language as part of the *2009-10 Budget Act*. Proposed language:

Item 3790-001-0001 --- Department of Parks and Recreation:

Concession Contracts. Pursuant to Public Resources Code Section 5080.20, the following concession proposals are approved as described below:

- a. Angel Island State Park – Ferry Service Concession. The department may bid a new concession contract to provide ferry service transportation exclusively between San Francisco and Angel Island State Park.

The proposed provisions of the new concession contract include a term of up to ten years; annual rent will be the greater of a guaranteed flat rate or a percentage of annual gross receipts. Proposers will be required to bid a minimum annual rent of up to \$50,000 or up to 15 percent of monthly gross receipts whichever is greater, and commit up to 2 percent monthly gross receipts for dock maintenance.

It is anticipated that the new concession contract will be implemented during the fall of 2009.

- b. Hollister Hills State Vehicular Recreation Area – Park Store Concession. The department may bid a new concession contract to operate, and maintain a park store concession with food service with Hollister Hills State Vehicular Recreation Area.

The proposed provisions of the new concession contract include a contract term of up to 10 years to maintain and operate a park store to sell sundry items, food, motorcycle parts and provide repair services. The new contract may consider the inclusion of rental equipment services. Annual rent to the State will be the greater of a guaranteed flat rate or a percentage of gross receipts. Proposers will be required to bid a minimum annual rent of up to \$48,000 or up to 8 percent of gross receipts whichever is greater. The contract will also include up to \$60,000 in capital improvements to the structure.

It is anticipated that the new concession contract will be implemented during the winter of 2010.

- c. Oceano Dunes State Vehicular Recreation Area -- Camp Trailer Rental Service Concession. The department may bid a new concession contract to provide for camping trailer rental services for park visitors camping at Oceano Dunes State Vehicular Recreation Area.

The proposed provisions of the new contract will include a term of up to 10 years; annual rent will be the greater of a guaranteed flat rate or a percentage of monthly gross receipts. Proposers will be required to bid a minimum annual rent of up to \$36,000 or up to 10 percent of monthly gross receipts whichever is greater.

It is anticipated that the new contract will be implemented during the winter of 2010.

- d. Santa Monica State Beach --- Food Service Concession. The department may authorize the City of Santa Monica, under their current operating agreement with the Department of Parks and Recreation, to solicit proposals from the public for a contract to operate a food service concession on Santa Monica State Beach.

The proposed provisions of the new contract include a contract term of up to 10 years. Annual rent will be the greater of a guaranteed flat rate or a percentage of gross receipts. Proposers will be required to bid a minimum of up to \$75,000 per year or up to 15 percent of gross receipts, whichever is greater. In addition, limited one-time capital improvements to the facility of up to \$20,000 may be a consideration.

It is anticipated that a new concession contract will be issued during the summer of 2009.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt SRL describing the scope of the concession contracts.

## 2. Diesel Regulation Compliance

**Background.** In January 2007, the Air Resources Board (ARB) adopted regulations for “On-Road Heavy-Duty Diesel-Fueled Public Fleets”. This regulation requires all state agencies and local governments to retrofit 60 percent of their diesel vehicles by December 31, 2009, to reduce identified diesel particulate matter in the exhaust. If 60 percent of the fleet is not retrofitted, the state agency may face penalties of \$1,000 to \$10,000 per day of non-compliance. The Department of Parks and Recreation has 129 vehicles that fall under the on-road heavy-duty diesel regulations.

**Budget Act.** The *2009-10 Budget Act* includes no funds for this item.

**Governor’s Budget.** The Governor’s January 10 Budget proposed \$1,635,000 General Fund for retrofits of the department’s heavy-duty diesel vehicles.

**Staff Recommendation.** Staff recommends that the Subcommittee wait until the April revenue numbers are received before considering funding for this item. Also, alternative funding sources such as the federal stimulus funds for diesel emission reduction should be considered.

## 3850 Coachella Valley Mountains Conservancy

**Background.** The Coachella Valley Mountains Conservancy (CVMC) acquires and holds, in perpetual open space, mountainous lands surrounding the Coachella Valley and natural community conservation lands within the Coachella Valley.

**Budget Act.** The 2009-10 Budget Act includes \$517,000 to support CVMC. This is a dramatic decrease from current year estimated expenditures due to the near elimination of bond funds for the conservancy.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2008-09</b>	<b>2009-10</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Coachella Valley Mountains Conservancy	\$442	\$517	\$75	17.0
Capital Outlay	18,375	0	-18,375	-100.0
<b>Total</b>	<b>\$18,817</b>	<b>\$517</b>	<b>-\$18,300</b>	<b>-97.3</b>
<b>Funding Source</b>				
Special Funds	\$303	\$318	\$15	5.0
Bond Funds	17,905	60	-17,845	-100.0
<i>Budget Act Total</i>	<i>18,208</i>	<i>378</i>	<i>-17,830</i>	<i>-97.3</i>
Reimbursements	609	139	-470	-77.2
<b>Total</b>	<b>\$18,817</b>	<b>\$517</b>	<b>-\$18,300</b>	<b>-97.3</b>

### 1. Opportunity Land Acquisitions

**Proposition 84.** California voters in November 2006 passed Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006, which provides \$5.388 billion in general obligation bonds for environmental and resource purposes. The Proposition 84 bond language allocated funds to the state's conservancies in order to guarantee land acquisitions and environmental restoration projects. Coachella Valley Mountains Conservancy was allocated \$36 million through Proposition 84.



**Budget Act.** The *2009-10 Budget Act* included Proposition 84 bond funds for many of the state's conservancies. However, the *2009-10 Budget Act* includes no bond funds for Coachella Valley Mountains Conservancy to make land purchase grants.

**Land Value Appraisals.** The Coachella Valley Mountains Conservancy's bond funds request was initially denied by the Department of Finance due to the conservancy not seeking third party verification of the property value appraisals for land purchased. However, the conservancy has now adopted regulations requiring that the conservancy and all its grantees always seek a third party independent review of the property value appraisals prior to purchasing land. As this administrative problem has been corrected, it is no longer a reason for holding back the conservancy's bond funding.

**Staff Recommendation.** Staff recommends that the Subcommittee appropriate \$3 million in Proposition 84 bond funds, as well as \$343,000 in Prop 12 funds and \$456,000 in Prop 40 funds, to the Coachella Valley Mountains Conservancy for land acquisition.